

Message Text

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TO AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: EMIN, ETRD, JA

SUBJECT: SEPTEMBER 25 WASHINGTON POST ARTICLE ON STEEL

1. THE SEPTEMBER 25 WASHINGTON POST PUBLISHED IN THE FIRST SECTION WITHOUT A BYLINE THE FOLLOWING ARTICLE. BEGIN QUOTE. JAPANESE WOULD LIMIT STEEL EXPORTS TO U.S., MANSFIELD SAYS. TOKYO, SEPT. 24 -- AMBASSADOR MIKE MANSFIELD SAID TODAY THAT AN ORDERLY MARKETING AGREEMENT LIMITING JAPANESE STEEL EXPORTS TO THE UNITED STATES "MIGHT BE THE BEST SOLUTION" TO THE GROWING STEEL PROBLEM BETWEEN THE TWO COUNTRIES.

2. "THE JAPANESE WOULD BE WILLING TO ENTER INTO" AN AGREEMENT SIMILAR TO THAT WHICH JAPANESE COLOR-TELEVISION PRODUCERS SIGNED EARLIER THIS YEAR, MANSFIELD SAID, BUT HE ADDED THAT HE WAS NOT SURE THAT THE CARTER ADMINISTRATION, THE U.S. STEEL INDUSTRY OR THE AFL-CIO IS READY TO CONSIDER SUCH A SOLUTION.

3. THE FORMER SENATE MAJORITY LEADER SAID IN AN INTERVIEW UNCLASSIFIED

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THAT HE PERSONALLY PREFERRED A "LONG-RANGE, MULTILATERAL AGREEMENT" NEGOTIATED WITH EUROPEAN AS WELL AS JAPANESE STEEL PRODUCERS THROUGH THE ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT (OECD).

4. HE ADDED, HOWEVER, THAT "FOR THE TIME BEING, TO AVOID AN ECONOMIC MATTER BECOMING A POLITICAL ISSUE, AN OMA

(ORDERLY MARKETING AGREEMENT) MIGHT BE THE BEST SOLUTION."

5. THIS WAS THE FIRST TIME A SENIOR AMERICAN OFFICIAL HAS SUGGESTED THE USE OF SUCH AN AGREEMENT FOR THE PROBLEMS CREATED BY MASSIVE IMPORTS OF JAPAN'S LOWER-PRICED STEEL. THESE PROBLEMS HAVE DEVELOPED INTO A SHARP POLITICAL AND ECONOMIC ISSUE FOR THE CARTER ADMINISTRATION.

6. IN AN APPEARANCE LAST WEEK BEFORE SHARPLY CRITICAL MEMBERS OF THE HOUSE WAYS AND MEANS COMMITTEE'S FOREIGN TRADE SUBCOMMITTEE, SPECIAL U.S. TRADE REPRESENTATIVE ROBERT S. STRAUSS SAID THE ADMINISTRATION HAS "NO CLEAR, DEFINITIVE ANSWERS" TO COMPLAINTS BY INDUSTRY AND LABOR THAT JAPANESE STEEL IMPORTS ARE CAUSING SERIOUS PROBLEMS FOR THE DOMESTIC STEEL INDUSTRY.

7. THOSE PROBLEMS WERE HIGHLIGHTED BY NEWS LAST MONDAY OF THE SCHEDULED SHUTDOWN OF THE GIANT YOUNGSTOWN SHEET AND TUBE CO. PLANT IN YOUNGSTOWN, OHIO, AND THE FILING OF AN "ANTI-DUMPING" SUIT AGAINST SIX JAPANESE STEEL COMPANIES BY U.S. STEEL.

8. OFFICIALS HERE SAID THAT FOREIGN-MADE STEEL NOW CLAIMS ABOUT 16 PERCENT OF THE AMERICAN MARKET, WITH SLIGHTLY OVER HALF THAT VOLUME ORIGINATING IN JAPAN.

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9. CARTER ADMINISTRATION OFFICIALS HAVE DESCRIBED THE STEEL PROBLEM AS THE BY-PRODUCT OF PRICING DECISIONS BY U.S. INDUSTRY THAT HAVE ENABLED FOREIGN PRODUCERS TO UNDERSSELL THE AMERICAN FIRMS IN THE U.S. MARKET. THE U.S. STEEL SUIT ALLEGES, HOWEVER, THAT THE JAPANESE FIRMS MAY BE "DUMPING" STEEL IN AMERICA AT PRICES EVEN BELOW COST OF PRODUCTION. THE STEEL INDUSTRIES IN BOTH JAPAN AND THE UNITED STATES ARE OPERATING AT LEVELS WELL BELOW THEIR CAPACITY--THUS INCREASING COMPETITIVE PRESSURES TO EXPAND THEIR MARKETS.

10. MANSFIELD, WHO SAID HE HAS BEEN WARNING THE JAPANESE THAT RISING "PROTECTIONIST SENTIMENT" IN CONGRESS IS "LOOMING LIKE A DARK CLOUD ON THE HORIZON," SAID HE WAS CONVINCED THE JAPANESE ARE EAGER FOR A SOLUTION TO THE PROBLEM.

11. "I CAN'T BE AUTHORITATIVE," HE SAID, "BUT MY FEELING IS THEY WOULD AGREE TO ALMOST ANY KIND OF ARRANGEMENT THAT WOULD FORECLOSE THE POSSIBILITY OF WHAT IS DEVELOPING THROUGH COURT ACTIONS, SHUTDOWNS, LAYOFFS AND THE LIKE. THEY'D LIKE TO HAVE SOME GUIDANCE FROM US AS TO WHAT COULD

BE DONE."

12. THE AMBASSADOR NOTED THAT NAOHIRO AMAYA, A SENIOR OFFICIAL OF THE JAPANESE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY, HAD GONE TO THE UNITED STATES LAST MONTH TO ASK GOVERNMENT, STEEL INDUSTRY AND UNION OFFICIALS "WHAT COULD BE DONE TO ALLEVIATE THE SITUATION."

13. "HE DIDN'T GET MUCH SATISFACTION," MANSFIELD SAID, "ONLY A PROMISE THAT THIS WOULD BE TAKEN UP AGAIN BY OECD THIS FALL.

14. "WE OUGHT TO RECOGNIZE THAT THEY RECOGNIZE THE DIFFICULTIES LOOMING ON THE HORIZON. THEY CAME TO OUR COUNTRY
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AND THEY WERE READY TO DO SOMETHING, BUT NOTHING IN THE WAY OF A PROGRAM OR A SOLUTION OR FORMULA WAS FORTHCOMING."

15. WHILE MANSFIELD NOTED THE SCHEDULED OECD TALKS ON STEEL THIS FALL, HE SEEMED TO PUT GREATER HOPE IN THE SCHEDULED VISIT HERE NEXT MONTH BY STRAUSS, WHO NEGOTIATED THE MARKETING AGREEMENT ON COLOR TELEVISION. "IF ANYONE

CAN GET THINGS DONE," HE SAID, "IT'S BOB STRAUSS."

16. THE AMBASSADOR RECALLED THAT FROM 1969 TO 1974, THE JAPANESE HAD LIMITED EXPORTS OF STEEL TO THE UNITED STATES UNDER A SYSTEM OF "VOLUNTARY RESTRAINTS." THAT ARRANGEMENT WHICH HE SAID HAD BEEN "PERFECTLY SATISFACTORY TO BOTH SIDES," WAS UPSET WHEN CONSUMER GROUPS IN THE UNITED STATES SUCCESSFULLY ARGUED IN COURT THAT THE EFFECT OF THE ARRANGEMENT WAS TO INCREASE PRICES, AND WON RULINGS THAT THE "VOLUNTARY RESTRAINTS" VIOLATED AMERICAN ANTITRUST LAWS.

17. ORDERLY MARKETING AGREEMENTS, WHICH HAVE THE EFFECT OF LIMITING EXPORTS, ARE SANCTIONED BY U.S. LAW AND THEREFORE ARE PRESUMABLY IMMUNE FROM SUCH SUITS. NONE-THE LESS, THEY HAVE BEEN CRITICIZED IN THE SAME GROUNDS-- THAT THEY TEND TO INCREASE PRICES IN THE DOMESTIC MARKET.
END QUOTE.

18. DEPARTMENT WOULD APPRECIATE EMBASSY'S COMMENTS ON ACCURACY OF ARTICLE. WE ARE PUZZLED BY LACK OF BYLINE AND ANY BACKGROUND ON WHERE AND WHEN INTERVIEW TOOK PLACE. WOULD APPRECIATE INFORMATION ON CONTEXT IN WHICH INTERVIEW HELD. CHRISTOPHER

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